

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Trout Lake Township	County Chippewa
Fiscal Year End June 30, 2007	Opinion Date October 26, 2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma		License Number 1101024989

TROUT LAKE TOWNSHIP

BASIC FINANCIAL STATEMENTS

June 30, 2007

TROUT LAKE TOWNSHIP

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

MARJORIE COOPER

TOWNSHIP TREASURER

GRACE WATSON

TOWNSHIP CLERK

CRYSTAL WILLOBEE

TOWNSHIP TRUSTEE

ROBERT SIMPSON

TOWNSHIP TRUSTEE

FREDRICK MARSEE

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of and for the year ended June 30, 2007, which collectively comprises the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of or audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 8.2% from a year ago increasing from \$396,805 to \$429,459. In a condensed format, the table below shows a comparison of the net assets as of the current date.

In a condensed format, the table below shows the net assets of Trout Lake Township.

	Governmental Activities 2007	Governmental Activities 2006
Current Assets	\$ 276,248	\$ 428,737
Noncurrent Assets	<u>469,919</u>	<u>5,786</u>
Total Assets	<u>\$ 746,167</u>	<u>\$ 434,523</u>
Current Liabilities	\$ 46,562	\$ 22,718
Long-Term Liabilities	<u>270,146</u>	<u>15,000</u>
Total Liabilities	<u>316,708</u>	<u>37,718</u>
Net Assets:		
Invested in Capital Assets – net of related debt	175,919	5,786
Unrestricted	<u>253,540</u>	<u>391,019</u>
Total Net Assets	<u>\$ 429,459</u>	<u>\$ 396,805</u>

The current level of unrestricted net assets for our governmental activities stands at \$253,540, or about 152% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities</u> <u>2007</u>	<u>Governmental Activities</u> <u>2006</u>
Program Revenues		
Charges for Services	\$ 49,210	\$ 59,532
General Revenues		
Taxes	85,884	64,881
State-Shared Revenues	38,340	31,784
Local - General	19,737	23,170
Investment Earnings (Loss)	<u>5,824</u>	<u>8,351</u>
Total Revenues	<u>198,995</u>	<u>187,718</u>
Program Expenses		
General Government	62,346	99,469
Public Safety	13,556	5,054
Public Works	5,442	5,844
Health & Welfare	10,970	7,182
Recreation & Culture	69,726	37,370
Other Expenses	<u>4,301</u>	<u>16,812</u>
Total Expenses	<u>166,341</u>	<u>171,731</u>
Changes in Net Assets	32,654	15,987
Net Assets – Beginning	396,805	373,104
Prior Period Adjust to Record Capital Assets	<u>-</u>	<u>7,714</u>
Net Assets – Ending	<u>\$ 429,459</u>	<u>\$ 396,805</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$11,277, primarily due to the continuing increase in property tax values and increased local revenues.

Expenses decreased by only about \$5,390 during the year. This was primarily the result of careful management of expenditures throughout the year.

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the entity-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General, Ambulance, Fire, Debt Retirement and Building Funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to account for events that happened during the year. Revenues during the year were more than originally budgeted for by \$23,680. Expenditures were under budgeted by \$69,086. This was primarily due to under estimating capital outlay for park operations and general government.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$469,919 invested in a broad range of capital assets, including buildings, ambulance, and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2008 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: (906) 596-3291.

Basic Financial Statements

Statement of Net Assets**June 30, 2007**

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Cash & Equivalents - Unrestricted	\$ 245,852
Taxes Receivable	14,804
Due from Other Units	2,609
Prepaid Expenses	<u>12,983</u>
TOTAL CURRENT ASSETS	<u>276,248</u>
Noncurrent Assets	
Capital Assets	<u>469,919</u>
TOTAL ASSETS	<u><u>\$ 746,167</u></u>
LIABILITIES:	
Current Liabilities	
Accounts Payable	\$ 2,478
Accrued Liabilities	2,376
Deferred Revenue	17,854
Notes Payable	<u>23,854</u>
TOTAL CURRENT LIABILITIES	<u>46,562</u>
Long-term Liabilities	
Notes Payable	<u>270,146</u>
TOTAL LIABILITIES	<u>316,708</u>
NET ASSETS:	
Invested in Capital Assets - net of related debt	175,919
Unrestricted	<u>253,540</u>
TOTAL NET ASSETS	<u><u>\$ 429,459</u></u>

Trout Lake Township, Michigan

Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues	Governmental Activities
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
General Government	\$ 62,346	\$ 1,022	\$ (61,324)
Public Safety	13,556	-	(13,556)
Public Works	5,442	-	(5,442)
Health & Welfare	10,970	4,047	(6,923)
Recreation & Culture	69,726	44,141	(25,585)
Other Expenses	4,301	-	(4,301)
Total Governmental Activities	<u>\$ 166,341</u>	<u>\$ 49,210</u>	(117,131)
General Revenues:			
Taxes			85,884
State Revenue Sharing			38,340
Local - General			19,737
Investment Earnings (Loss)			<u>5,824</u>
Total General Revenues			<u>149,785</u>
Changes in Net Assets			<u>32,654</u>
Net Assets - Beginning			<u>396,805</u>
Net Assets - Ending			<u>\$ 429,459</u>

Trout Lake Township, Michigan

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Ambulance Fund	Fire Fund	Debt Retirement Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Total Governmental Funds
ASSETS:							
Cash & Equivalents	\$ 158,015	\$ 20,158	\$ 6,330	\$ 17,269	\$ 30,138	\$ 13,942	\$ 245,852
Due from Other Funds	2,248	5,795	-	-	-	-	8,043
Taxes Receivable	4,990	-	-	9,814	-	-	14,804
Due from Governmental Units	501	-	-	-	-	-	501
Prepaid Expenditure	12,983	-	-	-	-	-	12,983
TOTAL ASSETS	\$ 178,737	\$ 25,953	\$ 6,330	\$ 27,083	\$ 30,138	\$ 13,942	\$ 282,183
LIABILITIES:							
Accounts Payable	\$ 2,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,478
Accrued Liabilities	2,376	-	-	-	-	-	2,376
Due to Other Funds	-	-	5,935	-	-	-	5,935
Deferred Revenue	-	-	-	17,854	-	-	17,854
TOTAL LIABILITIES	4,854	-	5,935	17,854	-	-	28,643
FUND BALANCES:							
Unreserved:							
Undesignated	173,883	25,953	395	-	-	-	200,231
Designated	-	-	-	9,229	30,138	13,942	53,309
TOTAL FUND BALANCES	173,883	25,953	395	9,229	30,138	13,942	253,540
TOTAL LIABILITIES AND FUND BALANCES	\$ 178,737	\$ 25,953	\$ 6,330	\$ 27,083	\$ 30,138	\$ 13,942	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Add: Capital Assets	469,919
Less: Notes Payable	(294,000)
Net assets of governmental activities	\$ 429,459

Trout Lake Township, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2007

	General Fund	Ambulance Fund	Fire Fund	Debt Retirement Fund	Building Fund	Non-Major Fund Budget Stabilization Fund	Totals Governmental Funds
REVENUES:							
Taxes	\$ 61,545	\$ 2,659	\$ 2,659	\$ 19,021	\$ -	\$ -	\$ 85,884
State Sources	39,362	-	-	-	-	-	39,362
Charges for Services	44,141	4,047	-	-	-	-	48,188
Interest & Rentals	5,108	223	72	-	250	171	5,824
Other Revenue	19,737	-	-	-	-	-	19,737
TOTAL REVENUES	169,893	6,929	2,731	19,021	250	171	198,995
EXPENDITURES:							
General Government	59,078	-	-	-	-	-	59,078
Public Safety	230	-	13,326	-	-	-	13,556
Public Works	5,442	-	-	-	-	-	5,442
Health & Welfare	-	9,041	-	-	-	-	9,041
Recreation & Cultural	69,726	-	-	-	-	-	69,726
Capital Outlay	61,857	-	-	-	407,473	-	469,330
Debt Service	-	-	-	9,792	-	-	9,792
Other	509	-	-	-	-	-	509
TOTAL EXPENDITURES	196,842	9,041	13,326	9,792	407,473	-	636,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(26,949)	(2,112)	(10,595)	9,229	(407,223)	171	(437,479)
OTHER FINANCING SOURCES (USES):							
Loan Proceeds	-	-	-	-	285,000	-	285,000
Operating Transfer In	3,815	5,857	10,895	-	-	-	20,567
Operating Transfer Out	(16,752)	-	-	-	(3,815)	-	(20,567)
TOTAL OTHER FINANCING SOURCES (USES)	(12,937)	5,857	10,895	-	281,185	-	285,000
NET CHANGE IN FUND BALANCE	(39,886)	3,745	300	9,229	(126,038)	171	(152,479)
FUND BALANCES, JULY 1	213,769	22,208	95	-	156,176	13,771	406,019
FUND BALANCES, JUNE 30	\$ 173,883	\$ 25,953	\$ 395	\$ 9,229	\$ 30,138	\$ 13,942	\$ 253,540

See accompanying notes to financial statements.

Trout Lake Township, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2007

Net Changes in fund balances – total governmental funds \$ (152,479)

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$469,330) exceeded depreciation expense (\$5,197). 464,133

Governmental funds report note proceeds as other financing sources. However, borrowings increased long-term liabilities in the statement of net assets. (285,000)

Repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets.

Principal repayments:
Bond principal 6,000

Changes in net assets of governmental funds \$ 32,654

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007**

	<u>Current Tax Collection Fund</u>
ASSETS:	
Cash & Cash Equivalents	<u>\$ 2,113</u>
 TOTAL ASSETS	 <u><u>\$ 2,113</u></u>
LIABILITIES:	
Due to Others	<u> 2,113</u>
 TOTAL LIABILITIES	 <u><u>\$ 2,113</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Trout Lake Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Financial Reporting Entity:

Trout Lake Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment, and development, and health services.

The Township, for financial purposes, includes all of the funds and account groups relevant to the operations of Trout Lake Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Trout Lake Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The Trout Lake Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Trout Lake Township as of the preceding December 31st.

Although the Trout Lake Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Trout Lake Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Trout Lake Township totaled \$20,675,000 on which ad valorem taxes levied consisted of 1.5316 mills for the Township Operating and .9200 mills for Township Hall Debt Retirement. This amount is recognized in the General Fund and Debt Service Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Fund

This fund accounts for Ambulance services to residence of Trout Lake Township.

Fire Fund

This fund accounts for fire services to residence of Trout Lake Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Retirement Fund

This fund accounts for tax revenues and the payments on the bonds of the township hall.

Building Fund

This fund accounts for the planning of the new Township Hall.

Additionally, the Township reports the following funds:

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents	\$ <u>245,852</u>	\$ <u>2,113</u>
Total	\$ <u>245,852</u>	\$ <u>2,113</u>

The Township's deposits are located in one local financial institution. Deposits are carried at cost.

	<u>Governmental</u>	<u>Fiduciary</u>
Deposits:		
Checking and Savings	\$ 218,937	\$ 2,113
Certificate of Deposit	<u>26,915</u>	<u>-</u>
Total	\$ <u>245,852</u>	\$ <u>2,113</u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

Credit risk. The Township has no investments for which ratings are required.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$199,253 of the Township's bank balance of \$299,253 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 180,747	\$ 416,054	\$ -	\$ 596,801
Machinery and equipment	39,150	23,651	-	62,801
Land improvements	<u>-</u>	<u>29,625</u>	<u>-</u>	<u>29,625</u>
Subtotal	<u>219,897</u>	<u>469,330</u>	<u>-</u>	<u>689,227</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(180,747)	(2,345)	-	(183,092)
Machinery and equipment	(33,364)	(2,728)	-	(36,092)
Land improvements	<u>-</u>	<u>(124)</u>	<u>-</u>	<u>(124)</u>
Subtotal	<u>(214,111)</u>	<u>(5,197)</u>	<u>-</u>	<u>(219,308)</u>
Net Capital Assets Being Depreciated	<u>\$ 5,786</u>	<u>\$ 464,133</u>	<u>\$ -</u>	<u>\$ 469,919</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 3,268
Health and Welfare	<u>1,929</u>
Total Governmental Activities	<u>\$ 5,197</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS		
DUE FROM OTHER FUNDS		<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
	Fire Fund	\$ 140	\$ 5,795	\$ 5,935
	Agency Fund	<u>2,108</u>	<u>-</u>	<u>2,108</u>
	Total	<u>\$ 2,248</u>	<u>\$ 5,795</u>	<u>\$ 8,043</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers:

		TRANSFERS OUT		
TRANSFERS IN		General Fund	Construction Fund	Total
	General Fund	\$ -	\$ 3,815	\$ 3,815
	Ambulance Fund	5,857	-	5,857
	Fire Fund	10,895	-	10,895
	Total	<u>\$ 16,752</u>	<u>\$ 3,815</u>	<u>\$ 20,567</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Changes in long-term debt during the year ending June 30, 2007 is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
\$300,000 General Obligation Unlimited Tax bonds, Series 2006, due in annual installments increasing from \$6,000 to \$16,000 through April 1, 2036, plus interest at 4.125 payable semi-annually.	<u>\$ 15,000</u>	<u>\$ 285,000</u>	<u>\$ 6,000</u>	<u>\$ 294,000</u>	<u>\$ 6,000</u>
Total Governmental Activities	<u>\$ 15,000</u>	<u>\$ 285,000</u>	<u>\$ 6,000</u>	<u>\$ 294,000</u>	<u>\$ 6,000</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 6,000	\$ 12,128
2009	6,000	11,880
2010	6,500	11,633
2011	6,500	11,364
2012	7,000	11,096
2013-2017	37,500	51,026
2018-2022	44,000	42,818
2023-2027	54,000	32,979
2028-2032	65,000	20,934
2033-2036	<u>61,500</u>	<u>6,435</u>
Total	<u>\$ 294,000</u>	<u>\$ 212,293</u>

NOTE 7 - RISK MANAGEMENT:

The Township of Trout Lake is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen's compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen's compensation benefits.

Settled claims for the insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through insurance during the past year.

NOTE 8 - BUDGET VIOLATIONS:

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Parks	\$ 38,470	\$ 69,726	\$ (31,256)
Capital Outlay	4,769	61,857	(57,088)
Transfers Out	-	5,857	(5,857)
Fire Fund:			
Public Safety	2,731	13,326	(10,595)

Required Supplementary Information

Trout Lake Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 55,422	\$ 55,422	\$ 61,545	\$ 6,123
State Sources	37,310	37,310	39,362	2,052
Charges for Services	47,481	47,481	44,141	(3,340)
Interest & Rentals	4,000	4,000	5,108	1,108
Other Revenue	2,000	2,000	19,737	17,737
TOTAL REVENUES	146,213	146,213	169,893	23,680
EXPENDITURES:				
General Government:				
Supervisor	4,363	4,363	4,363	-
Treasurer	8,522	8,522	8,039	483
Clerk	4,447	4,447	4,447	-
Trustees	2,668	2,668	2,668	-
Assessor	12,215	12,215	12,048	167
Elections	3,300	3,300	2,484	816
Insurance	19,272	19,272	18,842	430
Professional	7,000	7,000	5,207	1,793
Cemetery	2,000	2,000	980	1,020
Total General Government	63,787	63,787	59,078	4,709
Public Safety:				
Inspections	230	230	230	-
Total Public Safety	230	230	230	-
Public Works:				
Road Work	18,500	18,500	5,442	13,058
Total Public Works	18,500	18,500	5,442	13,058
Recreation and Culture:				
Park	38,470	38,470	69,726	(31,256)
Total Recreation and Culture	38,470	38,470	69,726	(31,256)
Other Expenditures:				
Miscellaneous	2,000	2,000	509	1,491
Total Other Expenditures	2,000	2,000	509	1,491
Capital Outlay	4,769	4,769	61,857	(57,088)
TOTAL EXPENDITURES	127,756	127,756	196,842	(69,086)
EXCESS OF REVENUES UNDER EXPENDITURES	18,457	18,457	(26,949)	(45,406)

Trout Lake Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	-	-	3,815	3,815
Operating Transfer Out	-	-	(16,752)	(16,752)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(12,937)	(16,752)
NET CHANGE IN FUND BALANCE	<u>\$ 18,457</u>	<u>\$ 18,457</u>	(39,886)	<u>\$ (62,158)</u>
 FUND BALANCE, JULY 1			<u>213,769</u>	
 FUND BALANCE, JUNE 30			<u>\$ 173,883</u>	

Trout Lake Township, Michigan

Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,659	\$ 2,659	\$ 2,659	\$ -
Charges for Services	4,047	4,047	4,047	-
Interest & Rentals	-	-	223	223
TOTAL REVENUES	6,706	6,706	6,929	223
EXPENDITURES:				
Health and Welfare	8,728	8,728	9,041	(313)
TOTAL EXPENDITURES	8,728	8,728	9,041	(313)
EXCESS OF REVENUES OVER EXPENDITURES	(2,022)	(2,022)	(2,112)	(90)
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	-	-	5,857	5,857
TOTAL OTHER FINANCING SOURCES (USES)	-	-	5,857	5,857
NET CHANGE IN FUND BALANCE	\$ (2,022)	\$ (2,022)	3,745	\$ 5,767
FUND BALANCE, JULY 1			22,208	
FUND BALANCE, JUNE 30			\$ 25,953	

Trout Lake Township, Michigan**Required Supplementary Information
Budgetary Comparison Schedule
Fire Fund
For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,659	\$ 2,659	\$ 2,659	\$ -
Interest & Rentals	72	72	72	-
TOTAL REVENUES	2,731	2,731	2,731	-
EXPENDITURES:				
Public Safety	2,731	2,731	13,326	(10,595)
TOTAL EXPENDITURES	2,731	2,731	13,326	(10,595)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(10,595)	(10,595)
OTHER FINANCING SOURCES (USES):				
Operating Transfer In	-	-	10,895	10,895
TOTAL OTHER FINANCING SOURCES (USES)	-	-	10,895	10,895
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	300	<u>\$ 300</u>
FUND BALANCE, JULY 1			95	
FUND BALANCE, JUNE 30			<u>\$ 395</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trout Lake Township, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trout Lake Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, item 07-1.

Members of the Board
Trout Lake Township, Michigan

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trout Lake Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 07-2.

We also noted certain additional matters that we reported to management of Trout Lake Township in a separate letter dated October 26, 2007.

This report is intended solely for the information and use of the Board, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2007

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

Inability of Management to Prepare the Financial Statements in Accordance with Generally Accepted Accounting Principles

Finding 07-1

Condition: Personnel responsible for financial reporting are not monitoring and reporting interim or annual financial activity without auditor intervention.

Criteria: Internal controls should be in place to provide reasonable assurance to the Township that management reports financial statements necessary to monitor and report annual and interim financial activity without auditor intervention.

Recommendation: The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

- *Contact Person(s) Responsible for Correction:*
Grace Watson, Treasurer
- *Corrective Action Planned:*
As a result of limited funding, the Township does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

NONCOMPLIANCE WITH STATE STATUTES

Excess Expenditures Over Appropriations

Finding 07-2

Statement of Condition/Criteria: Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2007, the Township incurred expenditures in excess of amounts appropriated as shown in Note 8 of the financial statements.

Effect: The Township has not complied with various State Statutes.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The Board should monitor and amend the budget as deemed necessary.

- *Contact Person(s) Responsible for Correction:*
Ronald McMillan, Township Supervisor
- *Corrective Action Planned:*
The budget will be more closely monitored and budget amendments will be made accordingly.



ANDERSON, TACKMAN & COMPANY, PLC
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REPORT TO MANAGEMENT

Members of the Board
Trout Lake Township
Trout Lake, Michigan 49793

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Trout Lake Township for the year ended June 30, 2007, and have issued our reports thereon dated October 26, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Trout Lake Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Trout Lake Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Trout Lake Township's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Trout Lake Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the basic financial statements of Trout Lake Township, for the year ended June 30, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Accrual Basis of Accounting (prior comment)

Accrual accounting needs to be implemented into the accounting system to be sure all deposits/disbursements are posted in the period the income/expense was incurred.

Petty Cash (prior comment)

It was noted that the petty cash fund at the ambulance is not recorded on the Township records. It is recommended the imprest amount (\$100.00) be recorded in the cash section of the general ledger. When the fund is replenished, the activity should also be recorded on the Township books.

Excess Expenditures

Public Act 621 of 1978 requires units of government to appropriate funds prior to actual expenditure of funds. The Board exceeded four functional areas in violation of the act. Budgets should be amended prior to year end to comply with the law.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Check Images

Due to changes in bank practices, the Township does not receive canceled checks. The Township should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Conclusion

We will review the status of these comments during our next audit engagement. The comments and recommendations have already been discussed with the Treasurer. We would be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information of the Board of Trustees, Trout Lake Township, management, federal awarding agencies, and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

October 26, 2007